

**CLAY CENTRAL/EVERLY  
COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2015**

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## **Clay Central/Everly Community School District**

### **Officials**

<b>NAME</b>	<b>TITLE</b>	<b>TERM EXPIRES</b>
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### **Board of Education**

Curt Langner	President	2015
Matt Schoning	Vice President	2017
Roger Nelson	Board Member	2015
Allison Goyette	Board Member	2017
Brian Schmidt	Board Member	2015

### **School Officials**

Dennis McClain	Superintendent	Indefinite
Diane White	District Secretary/Treasurer	Indefinite
Steve Avery	Attorney	Indefinite



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**Independent Auditor's Report**

To the Board of Education of  
Clay Central/Everly Community School District  
Royal, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District, Royal, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Every Community School District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 11 to the financial statements, Clay Central/Every Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and 45 through 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay Central/Every Community School District's basic financial statements. We, and other auditors, previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 11, 2016 on our consideration of Clay Central/Every Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Clay Central/Every Community School District's internal control over financial reporting and compliance.

*Schnum & Company, LLP*

Fort Dodge, Iowa  
January 11, 2016

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**



## **CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Clay Central/Everly Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### **2015 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,775,437 in fiscal year 2014 to \$3,896,924 in fiscal year 2015, while General Fund expenditures increased from \$3,913,209 in fiscal year 2014 to \$4,144,799 in fiscal year 2015. This District's General Fund balance decreased from \$2,657,288 at the end of fiscal year 2014 to \$2,409,413 at the end of fiscal year 2015, a 9% decrease.
- The fiscal year 2015 General Fund revenue decrease was attributable to a decrease in revenue from property taxes. The increase in expenditures was due primarily to an increase in other expenses. One reason the General Fund balance decreased is because of the effects of the GASB 68 accounting change.
- With more cash available to be invested, interest earnings in the General Fund increased from \$2,007 in fiscal year 2014 to \$4,732 in fiscal year 2015.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Clay Central/Everly Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which the District acts solely as an agent or custodian for the benefit of those outside the District.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES**

#### ***Government-wide Financial Statements***

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### ***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show it is properly using certain revenues, such as federal grants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES (CONTINUED)**

#### ***Fund Financial Statements (Continued)***

The District has three kinds of funds:

- 1) *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business-type activities but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain revenue as a fiscal agent.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014:

<b>Figure A-1</b> <b>Condensed Statement of Net Position</b> <b>(Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	2014		2014		2014		
	(Not		(Not		(Not		
	2015		2015		2015		2014-2015
	restated)		restated)		restated)		
Current and other assets	\$ 7,011	\$ 6,707	\$ 26	\$ 18	\$ 7,037	\$ 6,725	4.6%
Capital assets	1,193	1,218	18	21	1,211	1,239	-2.3%
<b>Total assets</b>	<b>8,204</b>	<b>7,925</b>	<b>44</b>	<b>39</b>	<b>8,248</b>	<b>7,964</b>	<b>3.6%</b>
Deferred outflow of resources	271	-	6	-	277	-	100.0%
Long-term liabilities	1,257	73	27	-	1,284	73	1658.9%
Other liabilities	546	165	48	71	594	236	151.7%
<b>Total liabilities</b>	<b>1,803</b>	<b>238</b>	<b>75</b>	<b>71</b>	<b>1,878</b>	<b>309</b>	<b>507.8%</b>
Deferred inflows of revenues	2,550	2,429	10	-	2,560	2,429	5.4%
Net position:							
Net investment in capital assets	1,193	1,218	18	21	1,211	1,239	-2.3%
Restricted	1,995	1,448	-	-	1,995	1,448	37.8%
Unrestricted	934	2,592	(53)	(53)	881	2,539	-65.3%
<b>Total net position</b>	<b>\$ 4,122</b>	<b>\$ 5,258</b>	<b>\$ (35)</b>	<b>\$ (32)</b>	<b>\$ 4,087</b>	<b>\$ 5,226</b>	<b>-21.8%</b>

The District's total net position decreased 21.8%, or approximately \$1.1 million from the prior year. The largest portion of the District's net position is restricted.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$550,000, or 38%, over the prior year. The increase was primarily a result of decreased expenditures in the Capital Projects Fund and increased revenue in the Management Levy Fund.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$1,658,000, or 65%. This decrease in unrestricted net position was primarily a result of the District's net pension liability net pension expense recorded in the current year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$1,479,615 and \$31,803, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013, but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the changes in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014:

<b>Figure A-2</b> <b>Changes in Net Position</b> <b>(Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	2015	2014 (Not restated)	2015	2014 (Not restated)	2015	2014 (Not restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 253	\$ 288	\$ 102	\$ 95	\$ 355	\$ 383	-7.3%
Operating grants, contributions and restricted interest	609	661	96	87	705	748	-5.7%
General revenues:							
Property tax	2,465	3,165	-	-	2,465	3,165	-22.1%
Statewide sales, services and use tax	350	302	-	-	350	302	15.9%
Unrestricted state grants	1,139	997	-	-	1,139	997	
Unrestricted investment earnings	6	3	-	-	6	3	100.0%
Other	29	48	-	-	29	48	
<b>Total revenues</b>	<b>4,851</b>	<b>5,464</b>	<b>198</b>	<b>182</b>	<b>5,049</b>	<b>5,646</b>	<b>-10.6%</b>
Program expenses:							
Instruction	2,902	2,863	-	-	2,902	2,863	1.4%
Student support services	1,259	1,327	-	-	1,259	1,327	-5.1%
Non-instructional programs	-	-	169	167	169	167	1.2%
Other expenses	346	192	-	-	346	192	80.2%
<b>Total expenses</b>	<b>4,507</b>	<b>4,382</b>	<b>169</b>	<b>167</b>	<b>4,676</b>	<b>4,549</b>	<b>2.8%</b>
<b>Increase (decrease) in net assets</b>	<b>344</b>	<b>1,082</b>	<b>29</b>	<b>15</b>	<b>373</b>	<b>1,097</b>	<b>-66.0%</b>
Net position beginning of year, as restated	3,778	4,176	(64)	(47)	3,714	4,129	-10.1%
Net position end of year	\$ 4,122	\$ 5,258	\$ (35)	\$ (32)	\$ 4,087	\$ 5,226	-21.8%

In fiscal year 2015, property tax and unrestricted state grants accounted for 74% of governmental activities revenue while charges for service and operating grants, contributions and restricted interest accounted for all of business-type activities revenue. The District's total revenues were approximately \$5.0 million, of which approximately \$4.9 million was for governmental activities and less than \$1 million was for business-type activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

As shown in Figure A-2, the District as a whole experienced a 11% decrease in revenues and a 3% increase in expenses. Property and other taxes decreased approximately \$700,000 or approximately 22%. The increase in expenses is related to increases in instructional and student support services expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$4,850,660 and expenses were \$4,506,842 for the year ended June 30, 2015. In a difficult budget year, the District was able to balance the budget by keeping expenditure growth below revenues received.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2015 compared to the year ended June 30, 2014.

**Figure A-3**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2015</b>	<b>2014</b>	<b>Change 2014- 2015</b>	<b>2015</b>	<b>2014</b>	<b>Change 2014- 2015</b>
Instructional	\$ 2,902	\$ 2,863	1.4%	\$ (2,237)	\$ (2,188)	2.2%
Support	1,259	1,327	-5.1%	(1,219)	(1,223)	-0.3%
Other expenses	346	192	80.2%	(188)	(21)	795.2%
<b>Total</b>	<b>\$ 4,507</b>	<b>\$ 4,382</b>	<b>2.9%</b>	<b>\$ (3,644)</b>	<b>\$ (3,432)</b>	<b>6.2%</b>

For the year ended June 30, 2015:

- The cost financed by users of the District's programs was \$253,295.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$609,254.
- The net cost of governmental activities was financed with \$2,814,676 in property and other taxes and \$1,138,707 in unrestricted state grants.

#### **Business-type Activities**

Revenues for business-type activities during the year ended June 30, 2015 were \$197,929, representing a 9% increase over the prior year, while expenses totaled \$168,325, a 1% increase over the prior year. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, state reimbursements and investment income.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Clay Central/Everly Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$4,370,409, well above last year's ending fund balances of \$4,013,734. The primary reason for the increase in combined fund balances at the end of fiscal year 2015 is due to increasing expenditure growth remaining below revenues received.

#### **Governmental Fund Highlights**

- The District's General Fund financial position is the result of many factors. The District's decrease in fund balance is due primarily to the decrease in property tax revenues during 2015.
- The General Fund balance decreased from \$2,657,288 to \$2,409,413 due, in part, to the decrease in property tax revenue.
- The Capital Projects Fund includes revenues from sales tax and from the physical plant and equipment property tax levy. These two revenue streams and the related expenditures are tracked separately in the District's accounting records, but are combined into one Capital Projects Fund for financial reporting. The monies in the Capital Projects Fund will be used for future capital improvements and equipment purchases.
- The Physical Plant and Equipment Levy fund balance increased from \$77,043 at June 30, 2014 to \$92,509 at June 30, 2015. This was due to decreased expenditures related to facilities and improvements to facilities.
- The Statewide Sales, Services and Use Tax fund balance increased from \$893,495 at June 30, 2014 to \$1,104,002 at June 30, 2015.

#### **Proprietary Fund Highlights**

School Nutrition Fund net position increased from a deficit of \$64,286 at June 30, 2014 to a deficit of \$34,682 at June 30, 2015. Revenues for business-type activities during the year ended June 30, 2015 were \$197,929, representing an increase of approximately 9% from prior year revenues of \$181,890.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUDGETARY HIGHLIGHTS

The District's total revenues were \$163,563 more than total budgeted revenues, a variance of approximately 3%. Increases in revenues from local, state and federal sources in fiscal year 2015 caused the total amount received to be approximately \$164,000 more than the amount originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At June 30, 2015, the District had invested approximately \$1.2 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment (See Figure A-4). This represents a net decrease of approximately \$28,000 from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$178,069.

The original cost of the District's capital assets was approximately \$5.7 million. Governmental funds account for approximately \$5.6 million, with the remainder of approximately \$100 thousand accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in furniture and equipment. The District's net furniture and equipment totaled \$370,515 at June 30, 2015, compared to \$438,163 reported at June 30, 2014. This decrease resulted from the trade-in or disposal of numerous fully depreciated vehicles.

<b>Figure A-4</b>							
<b>Capital Assets, net of Depreciation</b>							
<b>(Expressed in Thousands)</b>							
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total District</b>		<b>Total Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2014-2015</b>
Land	\$ 10	\$ 10	\$ -	\$ -	\$ 10	\$ 10	0%
Construction in progress	14	-	-	-	14	-	100%
Buildings	662	638	-	-	662	638	4%
Improvements other than buildings	154	153	-	-	154	153	1%
Furniture and equipment	353	417	18	21	371	438	-15%
<b>Total</b>	<b>\$ 1,193</b>	<b>\$ 1,218</b>	<b>\$ 18</b>	<b>\$ 21</b>	<b>\$ 1,211</b>	<b>\$ 1,239</b>	<b>-2.3%</b>



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

#### **Long-Term Debt**

At June 30, 2015, the District had \$1,258,225 in total long-term debt outstanding. This represents a decrease of approximately 27% from last year (See Figure A-5). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

<b>Figure A-5</b>			
<b>Outstanding Long-term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	<b>Total School District</b>		<b>Percentage</b>
	<b>2015</b>	<b>2014</b>	<b>Change</b>
			<b>2014-2015</b>
Early retirement	\$ 27	\$ 41	-34.1%
Net OPEB liability	39	31	25.8%
<b>Total</b>	<b>\$ 66</b>	<b>\$ 72</b>	<b>-8.3%</b>

### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Property taxes levied for in fiscal year 2016 decreased approximately \$300,000.
- The District expects a continuing decrease in enrollment.
- Due to an increasing special education deficit, the District is projecting a decrease in its unspent authorized budget.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Diane White, District Secretary/Treasurer and Business Manager, Clay Central/Everly Community School District, 401 Church Street, P.O. Box 110, Royal, Iowa 51357.



## **BASIC FINANCIAL STATEMENTS**

## STATEMENT OF NET POSITION

June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 4,749,949	\$ -	\$ 4,749,949
Receivables:			
Property tax:			
Delinquent	46,359	-	46,359
Succeeding year	2,095,092	-	2,095,092
Accounts	1,643	18,745	20,388
Due from other governments	115,842	-	115,842
Inventories	-	7,192	7,192
Prepaid expenses	2,196	-	2,196
Capital assets, net of accumulated depreciation	1,193,115	17,723	1,210,838
<b>Total assets</b>	<b>8,204,196</b>	<b>43,660</b>	<b>8,247,856</b>
<b>Deferred Outflows of Resources</b>			
Pension related deferred outflows	271,393	5,832	277,225
<b>Liabilities</b>			
Accounts payable	93,217	37,626	130,843
Salaries and benefits payable	365,990	10,290	376,280
Advances from grantors	2,630	-	2,630
Due to other governments	83,743	-	83,743
Long-term liabilities:			
Portion due within one year:			
Termination benefits	14,340	-	14,340
Portion due after one year:			
Termination benefits	13,100	-	13,100
Net pension liability	1,191,662	25,613	1,217,275
Net OPEB liability	39,123	877	40,000
<b>Total liabilities</b>	<b>1,803,805</b>	<b>74,406</b>	<b>1,878,211</b>
<b>Deferred Inflows of Resources</b>			
Unavailable property tax revenue	2,095,092	-	2,095,092
Pension related deferred inflows	454,466	9,768	464,234
<b>Total deferred inflows of resources</b>	<b>2,549,558</b>	<b>9,768</b>	<b>2,559,326</b>

(Continued on next page)

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT****Exhibit A  
(Continued)****STATEMENT OF NET POSITION****June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Net Position</b>			
Net investment in capital assets	\$ 1,193,115	\$ 17,723	\$ 1,210,838
Restricted for:			
Categorical funding	33,778	-	33,778
Management levy purposes	752,614	-	752,614
Student activities	11,871	-	11,871
School infrastructure	1,104,002	-	1,104,002
Physical plant and equipment	92,509	-	92,509
Unrestricted	934,337	(52,405)	881,932
<b>Total net position</b>	<b>\$ 4,122,226</b>	<b>\$ (34,682)</b>	<b>\$ 4,087,544</b>

See notes to financial statements.

CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

		Program Revenues		
		Charges for	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses	Service		
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction:				
Regular instruction	\$ 1,809,445	\$ 138,732	\$ 333,131	\$ -
Special instruction	551,673	-	33,924	-
Other instruction	540,583	114,563	44,682	-
	2,901,701	253,295	411,737	-
Support services:				
Student	48,092	-	-	-
Instructional staff	87,424	-	-	-
Administration	561,543	-	14,267	-
Operation and maintenance of plant	337,154	-	20,660	-
Transportation	224,690	-	4,524	-
	1,258,903	-	39,451	-
Other expenditures:				
Facilities acquisition	185,797	-	-	-
AEA flowthrough	158,066	-	-	-
Depreciation (unallocated)*	2,375	-	158,066	-
	346,238	-	158,066	-
Total governmental activities	4,506,842	253,295	609,254	-
Business-type activities:				
Non-instructional programs:				
Food service operations	168,325	101,911	95,992	-
Total business type activities	168,325	101,911	95,992	-
<b>Total</b>	<b>\$ 4,675,167</b>	<b>\$ 355,206</b>	<b>\$ 705,246</b>	<b>\$ -</b>

**Exhibit B**

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,337,582)	\$ -	\$ (1,337,582)
(517,749)	-	(517,749)
(381,338)	-	(381,338)
(2,236,669)	-	(2,236,669)
(48,092)	-	(48,092)
(87,424)	-	(87,424)
(547,276)	-	(547,276)
(316,494)	-	(316,494)
(220,166)	-	(220,166)
(1,219,452)	-	(1,219,452)
(185,797)	-	(185,797)
(158,066)	-	(158,066)
155,691	-	155,691
(188,172)	-	(188,172)
(3,644,293)	-	(3,644,293)
-	29,578	29,578
-	29,578	29,578
(3,644,293)	29,578	(3,614,715)

(Continued on next page)

**CLAY CENTRAL EVERLY COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2015**

		<b>Program Revenues</b>		
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
		<b>Service</b>	<b>Grants,</b>	<b>Grants,</b>
			<b>Contributions</b>	<b>Contributions</b>
			<b>and Restricted</b>	<b>and Restricted</b>
			<b>Interest</b>	<b>Interest</b>
	<b>Expenses</b>			
<b>General Revenues:</b>				
Property tax levied for:				
General purposes				
Capital outlay				
Income surtax				
Statewide sales, services and use tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				

Change in net position

Net position beginning of year, as restated

Net position end of year

\* This amount excludes the depreciation included in the direct expenses of various programs.

See notes to financial statements.



**Exhibit B  
(Continued)**

**Net (Expense) Revenue  
and Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ 2,369,395	\$ -	\$ 2,369,395
72,523	-	72,523
22,448	-	22,448
350,310	-	350,310
1,138,707	-	1,138,707
6,313	26	6,339
28,415	-	28,415
3,988,111	26	3,988,137
343,818	29,604	373,422
3,778,408	(64,286)	3,714,122
<u>\$ 4,122,226</u>	<u>\$ (34,682)</u>	<u>\$ 4,087,544</u>

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit C

**BALANCE SHEET**  
**Governmental Funds**  
**June 30, 2015**

	<b>General</b>	<b>Capital Projects</b>	<b>Special Revenue</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 2,795,601	\$ 1,192,124	\$ 762,224	\$ 4,749,949
Receivables:				
Property tax:				
Delinquent	35,440	1,377	9,542	46,359
Succeeding year	1,940,991	74,101	80,000	2,095,092
Accounts	822	-	821	1,643
Due from other governments	61,270	54,572	-	115,842
Prepaid expenses	2,196	-	-	2,196
<b>Total assets</b>	<b>\$ 4,836,320</b>	<b>\$ 1,322,174</b>	<b>\$ 852,587</b>	<b>\$ 7,011,081</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 33,553	\$ 51,562	\$ 8,102	\$ 93,217
Salaries and benefits payable	365,990	-	-	365,990
Advances from grantors	2,630	-	-	2,630
Due to other governments	83,743	-	-	83,743
<b>Total liabilities</b>	<b>485,916</b>	<b>51,562</b>	<b>8,102</b>	<b>545,580</b>
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	1,940,991	74,101	80,000	2,095,092
<b>Total deferred inflows         of resources</b>	<b>1,940,991</b>	<b>74,101</b>	<b>80,000</b>	<b>2,095,092</b>

(Continued on next page)

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit C  
(Continued)BALANCE SHEET  
Governmental Funds  
June 30, 2015

	General	Capital Projects	Special Revenue	Total
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Fund Balances:				
Restricted for:				
Categorical funding	\$ 33,778	\$ -	\$ -	\$ 33,778
Management levy purposes	-	-	752,614	752,614
Student activities	-	-	11,871	11,871
School infrastructure	-	1,104,002	-	1,104,002
Physical plant and equipment	-	92,509	-	92,509
Unassigned	2,375,635	-	-	2,375,635
<b>Total fund balances</b>	<b>2,409,413</b>	<b>1,196,511</b>	<b>764,485</b>	<b>4,370,409</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 4,836,320</b>	 <b>\$ 1,322,174</b>	 <b>\$ 852,587</b>	 <b>\$ 7,011,081</b>

See notes to financial statements.

**RECONCILIATION OF THE BALANCE SHEET**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2015**

**Total governmental fund balances (page 19)** \$ 4,370,409

*Amounts reported for governmental activities in the  
Statement of Net Position are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

1,193,115

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as

Deferred outflows of resources

\$ 271,393

Deferred inflows of resources

(454,466)

(183,073)

Long-term liabilities, including termination benefits, other post-employment benefits payable, and net pension liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.

(1,258,225)

**Net position of governmental activities (page 15)**

\$ 4,122,226

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES**

**Governmental Funds**

**Year Ended June 30, 2015**

	<b>General</b>	<b>Capital Projects</b>	<b>Special Revenue</b>	<b>Total</b>
Revenues:				
Local sources:				
Local tax	\$ 1,983,537	\$ 72,368	\$ 501,559	\$ 2,557,464
Tuition	117,582	-	-	117,582
Other	64,510	1,064	104,868	170,442
State sources	1,600,493	350,464	1,075	1,952,032
Federal sources	130,802	20,660	-	151,462
<b>Total revenues</b>	<b>3,896,924</b>	<b>444,556</b>	<b>607,502</b>	<b>4,948,982</b>
Expenditures:				
Current:				
Instruction:				
Regular	1,857,200	-	14,031	1,871,231
Special	549,892	-	-	549,892
Other	418,952	-	121,631	540,583
	<b>2,826,044</b>	<b>-</b>	<b>135,662</b>	<b>2,961,706</b>
Support services:				
Student	49,909	-	-	49,909
Instructional staff	90,716	-	-	90,716
Administration	484,876	18,286	57,686	560,848
Operation and maintenance of plant	359,451	-	35,577	395,028
Transportation	175,737	-	-	175,737
	<b>1,160,689</b>	<b>18,286</b>	<b>93,263</b>	<b>1,272,238</b>
Other expenditures:				
Facilities acquisition	-	200,297	-	200,297
AEA flowthrough	158,066	-	-	158,066
	<b>158,066</b>	<b>200,297</b>	<b>-</b>	<b>358,363</b>
<b>Total expenditures</b>	<b>4,144,799</b>	<b>218,583</b>	<b>228,925</b>	<b>4,592,307</b>
Change in fund balances	(247,875)	225,973	378,577	356,675
Fund balances, beginning of year	2,657,288	970,538	385,908	4,013,734
Fund balances, end of year	<b>\$ 2,409,413</b>	<b>\$ 1,196,511</b>	<b>\$ 764,485</b>	<b>\$ 4,370,409</b>

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Governmental Funds to the Statement of Activities  
Year Ended June 30, 2015**

**Change in fund balances - total governmental funds (page 21)** \$ 356,675

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense exceeded capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 149,759	
Depreciation expense	<u>(175,082)</u>	(25,323)

Income surtaxes not collected for several months after the District's fiscal year ends are not considered available revenues in the governmental funds.		(98,322)
---	--	----------

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		196,297
---	--	---------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as		
Termination benefits	14,031	
Pension expense	(91,417)	
Other postemployment benefits	<u>(8,123)</u>	(85,509)

<b>Change in net position of governmental activities (page 17)</b>		<u><u>\$ 343,818</u></u>
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See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit G

## STATEMENT OF NET POSITION

## Proprietary Fund

June 30, 2015

	<b>School Nutrition</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ -
Accounts receivable	18,745
Inventories	7,192
Total current assets	<u>25,937</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>17,723</u>
<b>Total assets</b>	<u>43,660</u>
<b>Deferred Outflows of Resources</b>	
Pension related deferred outflows	<u>5,832</u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	37,626
Salary and benefits payable	10,290
Total current liabilities	<u>47,916</u>
Noncurrent liabilities:	
Net pension liability	25,613
Net OPEB liability	877
Total noncurrent liabilities	<u>26,490</u>
<b>Total liabilities</b>	<u>74,406</u>
<b>Deferred Inflows of Resources</b>	
Pension related deferred inflows	<u>9,768</u>
<b>Net Position</b>	
Net investment in capital assets	17,723
Unrestricted	<u>(52,405)</u>
<b>Total net position</b>	<u><u>\$ (34,682)</u></u>

See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

Exhibit H

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**Proprietary Fund**  
**Year Ended June 30, 2015**

	<b>School Nutrition</b>
Operating revenues:	
Local sources:	
Charges for service	\$ 101,911
Non-instructional programs:	
Food service operations:	
Salaries	48,342
Benefits	21,017
Supplies	95,979
Depreciation	2,987
Total operating expenses	168,325
Operating (loss)	(66,414)
Non-operating revenues:	
State sources	1,381
Federal sources	94,611
Interest income	26
Total non-operating revenues	96,018
Increase in net position	29,604
Net position beginning of year, as restated	(64,286)
Net position end of year	\$ (34,682)

See notes to financial statements.



## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Exhibit I

## STATEMENT OF CASH FLOWS

## Proprietary Fund

Year Ended June 30, 2015

	<b>School Nutrition</b>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 94,673
Cash paid to employees for services	(60,504)
Cash paid to suppliers for goods or services	(115,722)
Net cash used by operating activities	<u>(81,553)</u>
Cash flows from non-capital financing activities:	
State grants received	1,381
Federal grants received	80,146
Net cash provided by non-capital financing activities	<u>81,527</u>
Cash flows from investing activities:	
Interest on investments	<u>26</u>
Net increase in cash and cash equivalents	-
Cash and cash equivalents beginning of year	<u>-</u>
Cash and cash equivalents end of year	<u><u>\$ -</u></u>
Reconciliation of operating (loss) to net cash (used by) operating activities:	
Operating (loss)	\$ (66,414)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:	
Commodities used	14,465
Depreciation	2,987
Increase in accounts receivable	(7,238)
Increase in inventories	(953)
Decrease in accounts payable	(33,254)
Decrease in interfund loan payable	(1)
Increase in salaries and benefits payable	10,232
Decrease in net pension liability	(9,964)
Increase in deferred outflows of resources	(2,058)
Increase in deferred inflows of resources	9,768
Increase in other postemployment benefits	<u>877</u>
Net cash (used by) operating activities	<u><u>\$ (81,553)</u></u>

Non-cash investing, capital and related financing activities:

During the year ended June 30, 2015, the district received \$14,465 of federal commodities.

See notes to financial statements.

## STATEMENT OF FIDUCIARY NET POSITION

## Fiduciary Funds

June 30, 2015

	<hr/>	
	Private Purpose Trust Scholarship	Agency
<hr/>		
<b>Assets</b>		
Cash and cash equivalents	\$ 7,620	\$ 1,036
	<hr/>	
<b>Liabilities</b>		
Due to other governments	-	1,036
	<hr/>	
<b>Net position</b>		
Reserved for scholarships	\$ 7,620	\$ -
	<hr/>	

See notes to financial statements.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Exhibit K

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## Fiduciary Funds

Year Ended June 30, 2015

	<u>Private Purpose Trust Scholarship</u>
<b>Additions:</b>	
Local sources:	
Gifts and contributions	\$ 2,600
Interest	22
Total additions	<u>2,622</u>
<b>Deductions:</b>	
Instruction:	
Regular:	
Scholarship awarded	<u>3,100</u>
Change in net position	(478)
Net position beginning of year	<u>8,098</u>
Net position end of year	<u><u>\$ 7,620</u></u>
See notes to financial statements.	

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

### NOTES TO FINANCIAL STATEMENTS

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#### **Note 1. Summary of Significant Accounting Policies**

Clay Central/Everly Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Royal and Everly, Iowa and the predominate agricultural territory in a portion of Clay, Dickinson and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### **A. Reporting Entity:**

For financial reporting purposes, Clay Central/Everly Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clay County Assessor's Conference Board.

#### **B. Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### B. Basis of Presentation (continued):

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund and Special Revenue Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Project Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Special Revenue Fund is utilized to account for property tax and other revenues to be used for insurance, unemployment and early retirement benefits as well as extracurricular activities conducted on behalf of the students.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature; assets equal liabilities, and does not involve measurement of results of operations.

## NOTES TO FINANCIAL STATEMENTS

---

### Note 1. Summary of Significant Accounting Policies (Continued)

#### C. Measurement Focus and Basis of Accounting:

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned, and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity:

The following accounting policies are followed in preparing the financial statements:

Cash and Cash Equivalents – The cash balances of most District funds are pooled and invested.

For the purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1<sup>1/2</sup>% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2014.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Capital Assets – Capital assets, which include property, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	15-50
Improvements other than buildings	5-25
Furniture and equipment	3-20

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date, but before the end of the employer's reporting period.

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances from Grantors – Grant proceeds which have been received by the District, but will be spent in a succeeding fiscal year.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.



## NOTES TO FINANCIAL STATEMENTS

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### Note 1. Summary of Significant Accounting Policies (Continued)

#### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (continued):

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it was levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amounts budgeted in the instruction function.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Cash and Cash Equivalents

The District's deposits in banks at June 30, 2015 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

### Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 9,589	\$ -	\$ -	\$ 9,589
Construction in progress	-	14,500	-	14,500
Total capital assets not being depreciated	9,589	14,500	-	24,089
Capital assets being depreciated:				
Buildings	3,018,292	74,247	-	3,092,539
Improvements other than buildings	545,380	12,460	13,200	544,640
Furniture and equipment	1,921,181	48,552	-	1,969,733
Total capital assets being depreciated	5,484,853	135,259	13,200	5,606,912
Less accumulated depreciation for:				
Buildings	2,380,266	49,909	-	2,430,175
Improvements other than buildings	392,010	11,960	13,200	390,770
Furniture and equipment	1,503,728	113,213	-	1,616,941
Total accumulated depreciation	4,276,004	175,082	13,200	4,437,886
Total capital assets being depreciated, net	1,208,849	(39,823)	-	1,169,026
Governmental activities capital assets, net	\$ 1,218,438	\$ (25,323)	\$ -	\$ 1,193,115

## NOTES TO FINANCIAL STATEMENTS

### Note 3. Capital Assets (Continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business-type activities:</b>				
Furniture and equipment	\$ 117,501	\$ -	\$ -	\$ 117,501
Less accumulated depreciation	96,791	2,987	-	99,778
Business-type activities capital assets, net	\$ 20,710	\$ (2,987)	\$ -	\$ 17,723

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 44,166
Special	1,781

Support services:

Instructional staff	4,391
Administration	32,814
Operation and maintenance of plant	36,349
Transportation	53,206

172,707

Unallocated

2,375

**Total governmental activities depreciation expense**

\$ 175,082

Business-type activities:

Food service operations	\$ 2,987
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### Note 4. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015 are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Governmental activities:</b>					
Termination benefits	\$ 41,471	\$ -	\$ 14,031	\$ 27,440	\$ 14,340
Net pension liability	1,655,196	-	463,534	1,191,662	-
Net OPEB liability	31,000	8,123	-	39,123	-
<b>Total</b>	\$ 1,727,667	\$ 8,123	\$ 477,565	\$ 1,258,225	\$ 14,340

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Long-term Liabilities (Continued)

	Balance Beginning of Year Restated	Additions	Reductions	Balance End of Year	Due Within One Year
<b>Business-type activities:</b>					
Net pension liability	\$ 35,577	\$ -	\$ 9,964	\$ 25,613	\$ -
Net OPEB liability	-	877	-	877	-
	\$ 35,577	\$ 877	\$ 9,964	\$ 26,490	\$ -

**Termination Benefits** — The District offers a voluntary early retirement plan to employees. Eligible employees must have completed at least fifteen years of full-time service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education.

For licensed employees, the early retirement benefit is calculated as the difference between the base salary for a BA step one and the employee's contract salary for the application year multiplied by 1.5. For classified employees, the early retirement benefit equals 50% of the employee's current annual salary, excluding overtime.

Upon retirement, the employee is eligible to continue participating in the District's group insurance plan with the District using the benefit amount to pay the retiring employee's cost of health insurance until the benefit is exhausted.

At June 30, 2015, the District has an obligation to three participants. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$14,031.

### Note 5. Pension Plan

**Plan Description** — IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

## NOTES TO FINANCIAL STATEMENTS

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### **Note 5. Pension Plan (Continued)**

Pension Benefits: A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 20, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits: A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions: Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$200,517.

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Pension Plan (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015, the District reports a liability of \$1,217,275 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.030693 percent, which was an increase of 0.001246 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$93,382. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 13,229	\$ -
Changes in assumptions	53,721	-
Net difference between projected and actual earnings on pension plan investments	-	464,234
Changes in Proportion and differences between District contributions and proportionate share of contributions	9,759	-
District contributions subsequent to the measurement date	200,516	-
	<u>\$ 277,225</u>	<u>\$ 464,234</u>

\$200,516 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	
2016	\$ (98,136)
2017	(98,136)
2018	(98,136)
2019	(98,136)
2020	5,019
Total	<u>\$ (387,525)</u>

There were no non-employer contributing entities at IPERS.

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Pension Plan (Continued)

Actuarial Assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
	<hr/> 100% <hr/>	

## NOTES TO FINANCIAL STATEMENTS

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### Note 5. Pension Plan (Continued)

**Discount Rate:** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:** The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<b>1% Decrease (6.5%)</b>	<b>Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
District's proportionate share of the net pension liability	\$ 2,300,007	\$ 1,217,275	\$ 303,337

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the Pension Plan:** At June 30, 2015, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

### Note 6. Other Postemployment Benefit (OPEB)

**Plan Description:** The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 44 active and 3 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

**Funding Policy:** The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.



## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Other Postemployment Benefit (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation: The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 38,000
Interest on net OPEB obligation	3,000
Adjustment to annual required contribution	(3,000)
Annual OPEB cost	<u>38,000</u>
Contributions made	<u>(29,000)</u>
Increase in net OPEB obligation	9,000
Net OPEB obligation beginning of year	<u>31,000</u>
Net OPEB obligation end of year	<u><u>\$ 40,000</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

For the year ended June 30, 2015, the District contributed \$29,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

<b>Year Ended June 30,</b>	<b>Annual OBEP Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2013	\$ 38,000	76.32%	\$ 22,000
2014	38,000	76.32	31,000
<b>2015</b>	<b>38,000</b>	<b>76.32</b>	<b>40,000</b>

Funded Status and Funding Progress: As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$431,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$431,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,896,000 and the ratio of the UAAL to covered payroll was 22.7%. As of June 30, 2015, there were no trust fund assets.

## NOTES TO FINANCIAL STATEMENTS

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### Note 6. Other Postemployment Benefit (OPEB) (Continued)

Actuarial Methods and Assumptions: Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the entry age actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate. An inflation rate of 0.0% is assumed for the purpose of this calculation.

Mortality rates are based on average life expectancy for the District's participant, which was assumed to be 83 years of age. RP-2000 Table was applied on a gender-specific basis.

The UAAL is being amortized over 30 years.

### Note 7. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2015 is comprised of the following programs:

<b>Program</b>	<b>Amount</b>
Home School Assistance Program (HSAP)	\$ 3,254
Statewide Voluntary four-year-old preschool	9,624
Professional Development - Core Curriculum	3,167
Professional Development General	8,667
Beginning Teacher Mentoring	2,024
Early Readers - Early Literacy Grant	7,042
<b>Total</b>	<b>\$ 33,778</b>

## **NOTES TO FINANCIAL STATEMENTS**

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### **Note 8. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **Note 9. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$158,066 for the year ended June 30, 2015 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **Note 10. Construction Commitment**

The District entered into a contract totaling \$32,4114 for a roofing project in Everly. As of June 30, 2015, costs of \$14,500 had been incurred against the contract. The balance of \$17,914 remaining at June 30, 2015 will be paid as work on the project progresses.

## NOTES TO FINANCIAL STATEMENTS

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### Note 11. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources that arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental and business-type activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after measurement date, as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net position June 30, 2014, as previously reported	\$ 5,258,023	\$ (32,483)
Net pension liability at June 30, 2014	(1,655,196)	(35,577)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	175,581	3,774
Net position July 1, 2014, as restated	<u>\$ 3,778,408</u>	<u>\$ (64,286)</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN BALANCES -- BUDGET AND ACTUAL --  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS**

**Required Supplementary Information**

**Year Ended June 30, 2015**

	<b>Governmental Funds Actual</b>	<b>Proprietary Fund Actual</b>	<b>Total Actual</b>
Revenues:			
Local sources	\$ 2,845,488	\$ 101,937	\$ 2,947,425
State sources	1,952,032	1,381	1,953,413
Federal sources	151,462	94,611	246,073
<b>Total revenues</b>	<b>4,948,982</b>	<b>197,929</b>	<b>5,146,911</b>
Expenditures/Expenses:			
Current:			
Instruction	2,961,706	-	2,961,706
Support services	1,272,238	-	1,272,238
Non-instructional programs	-	168,325	168,325
Other expenditures	358,363	-	358,363
<b>Total expenditures/expenses</b>	<b>4,592,307</b>	<b>168,325</b>	<b>4,760,632</b>
<b>Excess of revenues over expenditures/expenses</b>	<b>356,675</b>	<b>29,604</b>	<b>386,279</b>
Balance, beginning of year	4,013,734	(64,286)	3,949,448
Balance, end of year	<u>\$ 4,370,409</u>	<u>\$ (34,682)</u>	<u>\$ 4,335,727</u>

See accompanying independent auditor's report.

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<b>Budgeted Accounts</b>		<b>Final to Actual</b>	
<b>Original</b>	<b>Final</b>	<b>Variance</b>	
\$ 2,874,382	\$ 2,874,382	\$	73,043
1,930,407	1,930,407		23,006
178,559	178,559		67,514
4,983,348	4,983,348		163,563
<hr/>			
2,935,102	2,935,102		(26,604)
1,396,152	1,396,152		123,914
171,600	171,600		3,275
410,521	410,521		52,158
4,913,375	4,913,375		152,743
<hr/>			
69,973	69,973		316,306
3,957,265	3,957,265		(7,817)
<hr/>			
\$ 4,027,238	\$ 4,027,238	\$	308,489

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## **CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2015**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2015, expenditures in the instruction function exceeded the amount budgeted.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**Iowa Public Employees' Retirement System**

**Last Fiscal Year\***

**(In Thousands)**

**Required Supplementary Information**

	<b>2015</b>
Agency's proportion of the net pension liability	<b>0.030693%</b>
Agency's proportionate share of the net pension liability	<b>\$ 1,217</b>
Agency's covered-employee payroll	<b>\$ 2,004</b>
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>60.73%</b>
Plan fiduciary net position as a percentage of the total pension liability	<b>87.61%</b>

\* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**Iowa Public Employees' Retirement System**

**Last Ten Fiscal Years**

**(In Thousands)**

**Required Supplementary Information**

	<b>2015</b>	2014	2013	2012
Statutorily required contribution	<b>\$ 201</b>	\$ 179	\$ 167	\$ 154
Contributions in relation to the statutorily required contribution	<b>(201)</b>	(179)	(167)	(154)
Contribution deficiency (excess)	<b>\$ -</b>	\$ -	\$ -	\$ -
Agency's covered-employee payroll	<b>\$ 2,251</b>	\$ 2,004	\$ 1,926	\$ 1,908
Contributions as a percentage of covered-employee payroll	<b>8.93%</b>	8.93%	8.67%	8.07%

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
\$ 172	\$ 170	\$ 165	\$ 155	\$ 145	\$ 137
(172)	(170)	(165)	(155)	(145)	(137)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,475	\$ 2,556	\$ 2,598	\$ 2,562	\$ 2,522	\$ 2,383
6.95%	6.65%	6.35%	6.05%	5.75%	5.75%





## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

Year ended June 30, 2015

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#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual contribution rate.



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY (CONTINUED)**  
Year ended June 30, 2015

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The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**

**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b) %	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
2010	July 1, 2009	\$ -	\$ 643	\$ 643	0.0	\$ 1,950	33.0
2011	July 1, 2009	-	643	643	0.0	1,950	33.0
2012	July 1, 2009	-	643	643	0.0	1,950	33.0
2013	July 1, 2012	-	431	431	0.0	1,957	22.0
2014	July 1, 2012	-	431	431	0.0	2,017	21.4
<b>2015</b>	<b>July 1, 2012</b>	-	<b>431</b>	<b>431</b>	<b>0.0</b>	<b>1,896</b>	<b>22.7</b>

See Note 6 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funding status and funding progress.

See accompanying independent auditor's report.



## **SUPPLEMENTARY INFORMATION**



**COMBINING BALANCE SHEET****Special Revenue Accounts****June 30, 2015**

	<b>Special Revenue Funds</b>		
	<b>Management Levy</b>	<b>Student Activity</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 748,505	\$ 13,719	\$ 762,224
Receivables:			
Property tax:			
Delinquent	9,542	-	9,542
Succeeding year	80,000	-	80,000
Accounts	121	700	821
<b>Total assets</b>	<b>\$ 838,168</b>	<b>\$ 14,419</b>	<b>\$ 852,587</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 5,554	\$ 2,548	\$ 8,102
<b>Total liabilities</b>	<b>5,554</b>	<b>2,548</b>	<b>8,102</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	80,000	-	80,000
<b>Total deferred inflows of resources</b>	<b>80,000</b>	<b>-</b>	<b>80,000</b>
Fund balances:			
Restricted for:			
Management levy purposes	752,614	-	752,614
Student activities	-	11,871	11,871
<b>Total fund balances</b>	<b>752,614</b>	<b>11,871</b>	<b>764,485</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 838,168</b>	<b>\$ 14,419</b>	<b>\$ 852,587</b>

See accompanying independent auditor's report.

## CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Schedule 2

**Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances  
Special Revenue Accounts  
Year Ended June 30, 2015**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 501,559	\$ -	\$ 501,559
Other	518	104,350	104,868
State sources	1,075	-	1,075
<b>Total revenues</b>	<b>503,152</b>	<b>104,350</b>	<b>607,502</b>
Expenditures:			
Current:			
Instruction:			
Regular	14,031	-	14,031
Other	-	121,631	121,631
Support services:			
Administration	57,686	-	57,686
Operation and maintenance of plant	35,577	-	35,577
<b>Total expenditures</b>	<b>107,294</b>	<b>121,631</b>	<b>228,925</b>
Change in fund balances	395,858	(17,281)	378,577
Fund balances beginning of year	356,756	29,152	385,908
Fund balances end of year	<u>\$ 752,614</u>	<u>\$ 11,871</u>	<u>\$ 764,485</u>

See accompanying independent auditor's report.

**Schedule of Changes in Special Revenue Fund, Student Activity Accounts**  
**Year Ended June 30, 2015**

<b>Account</b>	<b>Balance Beginning of Year</b>	<b>Revenues and Interfund Transfers</b>	<b>Expenditures</b>	<b>Intra- Fund Transfers</b>	<b>Balance End of Year</b>
Reading is Fundamental	\$ 1,453	\$ 762	\$ 1,776	\$ -	\$ 439
Science Fair	273	780	1,053	-	-
Musical / Play	-	6,236	5,357	-	879
Athletics	9,510	25,855	35,320	887	932
FFA	134	34,615	34,387	-	362
Class of 2014	141	139	139	(141)	-
Class of 2015	3,514	774	4,247	(41)	-
Class of 2016	1,420	8,362	8,394	(19)	1,369
Class of 2017	787	89	23	(43)	810
Class of 2018	647	89	23	(43)	670
Class of 2019	67	89	23	(42)	91
Class of 2020	42	89	23	(42)	66
Class of 2021	-	43	-	-	43
Volleyball	734	3,413	3,665	-	482
High School					
Student Council	251	5,440	5,691	-	-
Dance Team	1,122	1,204	1,345	-	981
Football	-	1,715	976	-	739
Interest	404	-	-	(404)	-
High School Student Pop	2,125	476	1,198	(482)	921
Concessions	803	9,591	10,380	482	496
Cheerleader / Drill Team	1,924	433	1,324	(112)	921
Yearbook	2,130	3,200	5,180	-	150
Elementary Pop	1,671	956	1,107	-	1,520
<b>Total</b>	<b>\$ 29,152</b>	<b>\$ 104,350</b>	<b>\$ 121,631</b>	<b>\$ -</b>	<b>\$ 11,871</b>

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2015**

**Schedule 4**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,100,992	\$ 91,132	\$ 1,192,124
Receivables:			
Property tax:			
Delinquent	-	1,377	1,377
Succeeding year	-	74,101	74,101
Due from other governments	54,572	-	54,572
<b>Total assets</b>	<b>\$ 1,155,564</b>	<b>\$ 166,610</b>	<b>\$ 1,322,174</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 51,562	\$ -	\$ 51,562
<b>Total liabilities</b>	<b>51,562</b>	<b>-</b>	<b>51,562</b>
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	74,101	74,101
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>74,101</b>	<b>74,101</b>
Fund balances:			
Restricted for:			
School infrastructure	1,104,002	-	1,104,002
Physical plant and equipment	-	92,509	92,509
<b>Total fund balances</b>	<b>1,104,002</b>	<b>92,509</b>	<b>1,196,511</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,155,564</b>	<b>\$ 166,610</b>	<b>\$ 1,322,174</b>

See accompanying independent auditor's report.

**CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT**  
**Combining Schedule of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Capital Project Accounts**  
**Year Ended June 30, 2015**

**Schedule 5**

	<b>Capital Projects</b>		
	<b>Statewide Sales, Services and Use Tax</b>	<b>Physical Plant and Equipment Levy</b>	<b>Total</b>
Revenues:			
Local sources:			
Local tax	\$ -	\$ 72,368	\$ 72,368
Other	986	78	1,064
State sources	350,309	155	350,464
Federal sources	-	20,660	20,660
<b>Total revenues</b>	<b>351,295</b>	<b>93,261</b>	<b>444,556</b>
Expenditures:			
Support services:			
Administration	-	18,286	18,286
Other expenditures:			
Facilities acquisition	140,788	59,509	200,297
<b>Total expenditures</b>	<b>140,788</b>	<b>77,795</b>	<b>218,583</b>
Change in fund balance	210,507	15,466	225,973
Fund balances beginning of year	893,495	77,043	970,538
Fund balances end of year	<u>\$ 1,104,002</u>	<u>\$ 92,509</u>	<u>\$ 1,196,511</u>

See accompanying independent auditor's report.

**Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund  
Year Ended June 30, 2015**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash and cash equivalents	\$ 1,176	\$ -	\$ 140	\$ 1,036
<b>Liabilities</b>				
Due to other governments	\$ 1,176	\$ -	\$ 140	\$ 1,036

See accompanying independent auditor's report.

# CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function - All Governmental Funds For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Local sources:				
Local tax	\$ 2,557,464	\$ 3,159,923	\$ 3,390,699	\$ 3,230,584
Tuition	117,582	169,528	196,636	221,573
Other	170,442	260,519	176,356	477,936
State sources	1,952,032	1,756,274	1,617,140	1,667,521
Federal sources	151,462	111,294	125,572	146,287
Total revenues	\$ 4,948,982	\$ 5,457,538	\$ 5,506,403	\$ 5,743,901
Expenditures:				
Instruction:				
Regular	\$ 1,871,231	\$ 1,671,656	\$ 2,005,832	\$ 1,540,158
Special	549,892	545,912	227,016	646,150
Other	540,583	571,547	321,113	442,944
Support services:				
Student	49,909	21,298	34,858	32,840
Instructional staff	90,716	67,152	55,940	61,149
Administration	560,848	542,432	531,994	626,246
Operation and maintenance of plant	395,028	376,595	314,768	301,918
Transportation	175,737	351,866	231,757	275,079
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	200,297	151,827	136,553	109,716
Long-term debt:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
AEA flowthrough	158,066	155,623	154,913	150,941
Total expenditures	\$ 4,592,307	\$ 4,455,908	\$ 4,014,744	\$ 4,187,141

See accompanying independent auditor's report.

**Schedule 7**

**Modified Accrual Basis**

2011	2010	2009	2008	2007	2006
\$ 2,736,116	\$ 2,648,899	\$ 2,539,371	\$ 2,538,939	\$ 2,531,092	\$ 2,138,555
259,680	102,324	170,661	226,676	249,008	233,651
698,321	306,100	257,235	299,665	159,848	207,449
1,634,736	1,341,003	1,757,501	1,779,013	1,878,327	1,837,744
290,092	337,847	124,514	164,603	103,202	162,484
\$ 5,618,945	\$ 4,736,173	\$ 4,849,282	\$ 5,008,896	\$ 4,921,477	\$ 4,579,883
\$ 1,833,232	\$ 1,717,936	\$ 1,764,952	\$ 1,767,584	\$ 1,763,287	\$ 1,684,894
796,570	526,161	652,872	602,549	626,457	605,403
601,784	627,634	606,864	436,170	443,668	491,957
68,178	115,438	234,640	168,211	194,405	135,419
156,116	139,770	129,757	130,107	123,788	131,974
659,592	534,052	663,956	783,644	647,765	595,832
374,081	417,467	410,501	395,673	337,531	360,926
166,233	220,162	281,836	246,619	177,619	261,619
-	125	386	1,036	473	1,700
138,729	189,257	167,025	117,736	310,480	325,588
-	-	-	19,866	19,042	17,981
-	-	-	1,142	2,237	3,271
169,332	167,914	155,039	153,117	151,253	145,603
\$ 4,963,847	\$ 4,655,916	\$ 5,067,828	\$ 4,823,454	\$ 4,798,005	\$ 4,762,167







**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Education of  
Clay Central/Everly Community School District  
Royal, IA

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Clay Central/Everly Community School District as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clay Central/Everly Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clay Central/Everly Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Clay Central/Everly Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clay Central/Every Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### Clay Central/Every Community School District's Responses to Findings

Clay Central/Every Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Clay Central/Every Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Schnur & Company, LLP*

Fort Dodge, Iowa  
January 11, 2016

# CLAY CENTRAL/EVERLY COMMUNITY SCHOOL DISTRICT

## Schedule of Findings and Questioned Costs Year Ended June 30, 2015

### **Part I: Summary of Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.

### **Part II: Findings Related to the Financial Statements:**

#### **Internal Control Deficiencies:**

II-A-15 Segregation of Duties: The limited number of personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities, such as recording and processing cash receipts, preparing checks and bank reconciliations, preparing and posting general journal entries, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although we noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition, but it is important the District officials are aware that the condition exists.

Recommendation: We realize that with a limited number of office employees segregation of duties is difficult. However, the District should review its control procedures and investigate methods to increase monitoring activities to obtain the maximum internal control possible under the circumstances.

District Response: The District will continue to review and implement additional controls where possible.

Conclusion: Response accepted.

#### **Instances of Noncompliance:**

No matters were reported.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2015**

**Part III: Other Findings Related To Required Statutory Reporting:**

III-A-15     Certified Budget: – Expenditures for the year ended June 30, 2015 exceeded the certified budget amount in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – The budget will be amended before expenditures are allowed to exceed the budget.

Conclusion – Response accepted.

III-B-15     Questionable Expenditures: No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-15     Travel Expense: No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-D-15     Business Transactions: We noted no business transactions between the District and District officials or employees.

III-E-15     Bond Coverage: Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

III-F-15     Board Minutes: We noted no transactions requiring Board approval that had not been approved by the Board.

III-G-15     Certified Enrollment: No variances in the basic enrollment data certified to the Iowa Department of Education were noted.

III-H-15     Supplementary Weighting: No variances regarding the supplementary weighting certified to the Department of Education were noted.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2015**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

- III-I-15     Deposits and Investments: Except as noted below, no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

The District adopted a depository resolution naming each depository which may hold funds for the District, along with the maximum that may be kept on deposit. During the year, the District exceeded the maximum amount at one depository.

Recommendation – The District's depository resolution should be revised prior to exceeding the maximum amount authorized to be maintain in an approved depository.

Response – The District has reviewed its depository resolution and made appropriate adjustments.

Conclusion – Response accepted.

- III-J-15     Certified Annual Report (CAR): The Certified Annual Report was timely certified to the Iowa Department of Education.

- III-K-15     Categorical Funding: No instances were noted of categorical funding being used to supplant rather than supplement other funds.

- III-L-15     Statewide Sales, Services and Use Tax: No instances of non-compliance with the allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance	\$     893,495
Statewide sales, services and use tax	350,309
Interest	986
	<hr/> 1,244,790
Expenditures/transfers out:	
Facilities acquisition	140,788
	<hr/>
Ending balance	<u><u>\$   1,104,002</u></u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the monies received under Chapter 423E or 423F of the Code of Iowa.

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2015**

**Part III: Other Findings Related To Required Statutory Reporting (Continued):**

III-M-15    Financial Condition: The District had an unrestricted deficit balance in its Enterprise, School Nutrition Fund in the amount of \$52,405.

Recommendation: The District should investigate alternatives to eliminate the deficits and return the fund to a sound financial position.

Response: We have increased the meal prices charged and will continue to investigate alternatives in eliminating the School Nutrition Fund deficit.

Conclusion: Response accepted.